



Agenda Report

Fullerton City Council

MEETING DATE: MARCH 3, 2020

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: MEG MCWADE, DIRECTOR OF PUBLIC WORKS
DAVID GRANTHAM, SENIOR CIVIL ENGINEER

SUBJECT: CONSIDERATION OF INFRASTRUTURE AND NATURAL
RESOURCES ADVISORY COMMITTEE (INRAC)
INFRASTRUCTURE REPORT AND RECOMMENDATIONS

SUMMARY

Consideration of the Infrastructure and Natural Resources Advisory Committee (INRAC) recommendations contained in the Infrastructure Conditions and Funding Report – FY 19-20 and provide direction as appropriate.

RECOMMENDATION

Based on recommendation from the Infrastructure and Natural Resources Advisory Committee, that the City Council:

- 1) Receive and File the INRAC Conditions and Funding Report.
- 2) Consider a dedicated infrastructure sales and use tax of 1% to be reviewed in 15 years, to include the development of a Citizen's Review Committee for Transparency, Communication and Oversight to ensure all tax measure revenue is spent for infrastructure purposes as specified in a measure passed by voters and an Annual Report and Public Hearing on outcomes.
- 3) Direct Staff to implement the following items:
 - a. Hire a consultant to review the City budget to identify savings that can then be dedicated to street improvements.
 - b. Review the possibility of a transient occupancy tax (TOT) on vacation-by-owner rentals.
 - c. Implement an increased focus on Economic Development.

- d. Pursue long-term improvements in energy use and sourcing.
- 4) Provide direction to Staff as appropriate, to include direction on Staff alternative options.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement/s:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

While INRAC identified approximately \$24 million in annual ongoing infrastructure needs, the INRAC report is for discussion purposes only. The fiscal impact depends on revenue / expenditure decisions chosen at future City Council meetings and does not include general operating needs beyond infrastructure issues.

DISCUSSION

INRAC was created by City Council from a consolidation of other Committees and became effective January 1, 2019. The Committee, made up of nine volunteer residents, advises the City Council on infrastructure, provides input on policies, plans and programs related to energy, natural resources, environmental laws, protection of the environment and undergrounding of utilities.

On April 23, 2019, as part of the City's strategic planning process, the results of an online questionnaire were presented with some of the highest priorities related to failing infrastructure. In response to this information, the City Council tasked INRAC to perform an Infrastructure Needs Review directing the Committee to examine on-going maintenance and improvement needs of our infrastructure and make recommendations related to funding.

INRAC's Infrastructure Needs Review focused mainly on Public Works Infrastructure which included:

- *ADA Improvements & Requirements*
- *Alleys*
- *Buildings*
- *Monument Signs*
- *Parking Structures*
- *Sewer System*
- *Streets*
- *Vehicles & Equipment*
- *Airport*
- *Bridges*
- *Landscape – Trees & Plantings*
- *Parking Lots*
- *Parks & Trails*
- *Storm Drain System*
- *Traffic Systems*
- *Water System*

The nine member Committee's review started in May 2019 and was completed on February 26, 2020, resulting in the completion of the attached report and recommendations. Information related to INRAC's review can be found on the City's website at:

https://www.cityoffullerton.com/gov/departments/public_works/infrastructure_asset_review.asp

The review involved defining each of the infrastructure's deficiencies, funding needs to address deficiencies, funding priority of each deficiency and recommending potential funding sources to address deficiencies. Detailed information for each infrastructure item was provided to the Committee by the appropriate Public Works staff, and where applicable, Administrative Services staff. This detailed information is contained in the appendix of the attached report and summarized in the body of the report.

INRAC held 20 open public meetings where the Committee reviewed and debated various options for funding - from reprioritizing the City's budget, identifying future saving opportunities to reinvest in infrastructure, issuing bonds for improvements and obtaining grants. The Committee also held two additional evening Community Meetings to inform the public of their progress, as well as obtain input. This input helped guide INRAC's final recommendation. The community feedback included direction to ensure the new revenue would be dedicated to improving infrastructure.

The Committee unanimously approved the following recommendations which include a dedicated funding source for infrastructure needs.

INRAC's Revenue Enhancement Recommendation:

Recommendation – Dedicated Infrastructure Sales and Use Tax – Requires 2/3 Voter Approval

Authorize a ballot measure for a Sales and Use Tax of 1% dedicated specifically for City's infrastructure needs.

- To be reviewed in 15 years
- Develop Citizen's Review Committee for Transparency, Communication, and Oversight
 - Clear Goals/Outcomes for Committee
 - Educational Outreach to the Public
 - Ensure that all tax measure revenue is spent for infrastructure purposes as specified in the measure passed by voters
 - Annual Report and Public Hearing on Report - Project plans, status updates, and expenditures

Additional Recommendations (Potentially Longer Term Cost Savings or Revenue Enhancements)

- *Hire Consultant to review City budget to identify savings that can then be dedicated to street improvements*

- *Review the possibility of a transient occupancy tax (TOT) on vacation-by-owner rentals*
- *Increase focus on Economic Development for Fullerton*
- *Pursue long-term improvements in energy use and sourcing.*

The important work of INRAC was focused on infrastructure needs and resulted in recommendations for revenue enhancement devoted solely to infrastructure as well as other recommendations that could provide potential future long-term revenue or budget savings, which may be used for other purposes. As such, it is important to note that the recommendations reflect only the City's infrastructure needs and not the overall operational needs of the City over the next twenty years and beyond. During several of the presentations, Staff provided additional information related to non-infrastructure needs; however, INRAC, under their mandate, maintained their focus on infrastructure.

If the City Council provides direction resulting from the recommendations of INRAC, it is the City Manager's recommendation that additional direction be given to address the City's comprehensive fiscal situation and revenue ability in order that decisions for the next twenty years and more can be made to position the City for fiscal sustainability comprehensively. Accordingly, the following options for additional direction from the City Council are provided for consideration:

- Conduct a Request for Proposal process to hire a consultant to ensure that if a revenue measure is undertaken, that all laws regarding use of public funds are strictly followed.
- Direct Staff to conduct a review of the proposed 1% sales tax enhancement for infrastructure only, as recommended, in relation to overall City operational needs, and bring back a recommendation to the City Council for consideration.
- Research and bring to City Council for consideration fiscal policies or ordinances related to finances that address current or future enhanced revenue sources and how such funds are expended, to ensure continued fiscal sustainability and ongoing infrastructure improvements.
- Develop a proposed timeline for revenue enhancement efforts for public education awareness and understanding of a potential process.
- Other direction as appropriate based on City Council discussion of the item.

Attachments:

- Attachment 1 – INRAC PowerPoint Presentation
- Attachment 2 – INRAC Infrastructure Conditions and Funding Report – FY 19-20